



To: All CDBG & HOME Recipients
From: IHFA Federal & State Programs
Date: July 17, 1998
Re: Non-Competitive Procurement

Notice: FSP-98-10

CDBG and HOME grantees are required to utilize competitive methods of procuring materials and services whenever possible. Non-competitive proposals may be used only when competitive procurement is not feasible. Grant files must document such a determination. This method shortens the procurement process; however, there must still be written bid specifications for construction and scope of services for professional service contracts.

Non-competitive negotiation may only be used in one of the following circumstances:

- a. Public urgency will not permit a delay for competitive solicitation.
- b. The item desired is available from only one source.
- c. After solicitation of a number of sources, competition is determined inadequate.

Of these instances, the event that occurs most frequently is that in soliciting bids the grantee receives a response from only one bidder. ***IHFA staff has determined that if this occurs, grantees will no longer be required to re-bid the work.*** If only one bid is received, the grantee must perform a "cost-price analysis" to substantiate the reasonableness of the bid price received.

Outlined below are the procedures for performing a cost-price analysis. Grantees should consult their IHFA Compliance Specialist prior to completing a cost-price analysis. Two options are given and either option is an acceptable measure:

1. Request from the single bidder a breakdown of labor costs, material costs, and profit from his/her bid. This information will allow the procuring agency to evaluate reasonableness of the amount of profit built into the bid and the appropriateness of the material and labor costs. The federal regulations do not establish any maximums for these three categories; however, a reasonableness test should be made in relation to the scope of work being bid.
2. Ask another contractor that performs the type of work that was bid to provide an estimate of cost. This estimate must be on the letterhead of the contractor and must be in writing. The procuring agency should then perform a reasonableness test to compare the contractor's estimate against the scope of work being bid.

If you have any questions regarding this correspondence, please contact your Compliance Specialist.

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